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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **SANTA ANA DIVISION**
11

12 In re

13 SANDRA ELISABETH JOHNSON,
14 Debtor.
15

Case No. 8:13-BK-11464-ES

Chapter 11

DEBTOR'S STATUS CONFERENCE
REPORT

DATE: May 22, 2014

TIME: 10:30 a.m.

PLACE: Courtroom 5A

411 West Fourth Street
Santa Ana, CA 92701

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20 Pursuant to the Court's *Chapter 11 Status Conference Order* entered on January 22, 2014
21 (Docket no. 191), Sandra Elisabeth Johnson, Debtor-in-Possession (the "Debtor") files this Status
22 Conference Report.
23

24 **A. Case Summary.**

- 25 1. This case began as one under Chapter 7 with a voluntary petition filed on February 18,
26 2013. It was converted to one under Chapter 11 as of November 19, 2013. The case
27 is administered by the Debtor, as the debtor-in-possession.
28

2. During the Chapter 7 phase of the case, the Chapter 7 Trustee sold real property at 1833 Port Barmouth Place, Newport Beach, CA 92660 ("Barmouth Property") for \$2,750,000.
3. After payment of the senior lien against the Barmouth Property, property taxes and transaction costs, the sum of \$772,229.61 was deposited to a trust account being administered for the benefit of the estate by attorney Lorraine Howell ("Barmouth Proceeds Account"). The second lien of R and B Capital, LLC ("R&B") against the Barmouth Property was removed to the Barmouth Proceeds Account.
4. In March and April 2014, the Debtor recovered \$27,500 that was overpaid upon brokerage commissions in the Barmouth Property sale. That money was deposited to the Barmouth Proceeds Account. The balance is now \$800,000 (rounded).

B. Reporting, Disclosures and Other United States Trustee Obligations.

1. The Debtor attended the meeting of creditors (following conversion) on January 9, 2014. It is continued to May 22, 2014 (12:00 noon). The Debtor expects the meeting to conclude that day.
2. On March 13, 2014, the Debtor filed Amended Schedules (Docket no. 213) and a (new) list of the 20 Largest Unsecured Creditors (Docket no. 215).
3. The Debtor will further amend Schedule B concerning breach of contract and personal injury claim rights that arose in December 2013 and Schedule C to assert exemption rights in those claims.
4. All monthly reporting obligations have been timely satisfied to date.

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1 **C. Engagement of Professionals.**

- 2 1. The Debtor's engagement of Weinstein Law Firm, A Professional Corporation, as
3 general Chapter 11 counsel, effective January 1, 2014, was approved by an order
4 entered on March 31, 2014 (Docket no. 223).
5
6 2. An application to employ LoBuglio & Sigman CPAs as the estate's accountants was
7 filed on May 2, 2014 (Docket no. 253).
8
9 3. The Debtor will shortly file applications to employ special counsel with respect to
breach of contract and tort claims that arose in December 2013.

10 **D. Claims.**

- 11 1. A claims bar date of March 28, 2014 was ordered by the Court and notice was timely
12 distributed (Docket no. 192).
13
14 2. The Debtor obtained a supplemental claims bar date of June 9, 2014 with respect to
15 creditors added in the Amended Schedules ("Supplemental Bar Date") and notice of
16 the Supplemental Bar Date was timely distributed (Docket no. 233).
17
18 3. There are presently on file unsecured claims totaling approximately \$1,493,000. Of
19 that, approximately \$914,000 appear to be duplicates and \$236,302 are claims of
20 insiders whom the Debtor believes will be supportive of a plan. Of the other
21 unsecured claims presently on file, the Debtor believes the allowable claims do not
22 exceed \$26,500 (approximately). Subject to review following passage of the
23 Supplemental Bar Date, the Debtor believes allowable, non-insider unsecured claims
24 will be considerably less than \$100,000.

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E. Estate Asset Base.

1. There is approximately \$800,000 in the Barmouth Proceeds Account (above). R&B has claimed approximately \$664,000. There are thus unencumbered funds in the Barmouth Proceeds Account of at least \$135,000.
2. The Debtor believes R&B's entitlement does not exceed \$550,000 and consequently, that the unencumbered portion of the Barmouth Proceeds Account is at least \$250,000.
3. The disputed R&B lien is presently the subject of a contested matter begun by a motion filed by R&B seeking release of funds. The first hearing on that motion is on June 12, 2014.
4. The Barmouth Proceeds Account is also subject to the Debtor's homestead claim of \$100,000.
5. The estate includes the Debtor's current family residence at 1836 Port Manleigh Place, Newport Beach, CA 92660 ("Manleigh Property"). Secured claims against the Manleigh Property presently total approximately \$1,450,000. The Debtor is in negotiations over a potential mortgage modification.
6. The Chapter 7 Trustee had reached an agreement to sell the Manleigh Property for \$1,880,000, prior to the conversion to Chapter 11. The sale was stayed in connection with the conversion. The sale process (October 2013), however, indicates that there is gross equity in the Manleigh Property of at least \$330,000.
7. The estate includes mutual funds and other similar investments which are community property (collectively, "Mutual Funds"). The Debtor believes the Mutual Funds are valued at \$9,000 or more. The Mutual Funds are under the control of the Debtor's ex-husband, James H. Johnson, M.D. ("Dr. Johnson" or "James Johnson"). The Debtor

1 has begun an investigation into the Mutual Funds and expects them to be turned over
2 for administration in the estate shortly.

- 3 8. The Debtor has filed an adversary proceeding against James Johnson (adv. no. 8:14-
4 ap-01001-ES). This adversary proceeding seeks turnover of community property, or
5 its value, that is under the control of James Johnson; contribution by James Johnson to
6 the payment of allowable community claims; and recovery of post-petition transfers of
7 community property to James Johnson.
8
9 9. The breach of contract and tort claims that arose in December 2013 (above) are in the
10 earliest stages of analysis. It is presently difficult to quantify these claims or estimate
11 when they will be resolved. Prosecution of these claims may extend beyond
12 confirmation of a plan.
13

14 **F. Chapter 11 Plan.**

- 15 1. The case was commenced to prevent the then-pending foreclosure of the Barmouth
16 Property and thereby preserve considerable asset value for the estate (above).
17
18 2. The case was necessitated by the fact that Dr. Johnson had stopped making payments
19 on the Barmouth Property (and the Manleigh Property).
20
21 3. The Debtor supported the sale of the Barmouth Property. She intended to live in the
22 Manleigh Property with her daughters and thus resisted that sale. The Debtor plans to
23 account for the asset value in the Manleigh Property other than through liquidation of
24 the property.
25
26 4. The Debtor believes the aggregation of: the unencumbered portion of the Barmouth
27 Proceeds Account; the Mutual Funds; recovery of the value of the community
28 property controlled by Dr. Johnson and Dr. Johnson's obligations on community
claims will substantially fund a plan. Administrative creditors will consider deferral

1 of portions of their allowances, as the case progresses and a plan is formulated. The
2 Debtor also anticipates settlement negotiations with Dr. Johnson.

- 3 5. The Debtor will also consider dedication of her homestead rights (in the Barmouth
4 Proceeds Account) to the payment of administrative expenses and allowable
5 unsecured claims. As may appear to be necessary, the Debtor will evaluate the
6 monetization of value in the Manleigh Property.
7
8 6. The Debtor believes the holders of the allowable, insider unsecured claims (\$236,302,
9 above) will favorably review a plan that includes deferred treatment of the insider
10 claims to facilitate the Debtor's exit from Chapter 11.
11 7. Quantification of these plan components must await passage of the Supplemental
12 Claims Bar Date (June 9, 2014) and claims objections, and preliminary hearings in the
13 Johnson Adversary Proceeding (initial status conference: July 31, 2014). The Debtor
14 presently intends to meet the plan filing deadline.
15


16 **CONCLUSION**

17 The Debtor is proactively and effectively administering this case. The general Chapter 11
18 status conference should be continued to a date after July 31, 2014.

19 DATED: May 8, 2014

Respectfully submitted,

WEINSTEIN LAW FIRM
A Professional Corporation

22
23 By 
24 DAVID R. WEINSTEIN
25 Attorneys for Debtor
26
27
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
16501 Ventura Boulevard Suite 400, Encino, CA 91436

A true and correct copy of the foregoing document entitled (*specify*): DEBTOR'S STATUS CONFERENCE REPORT

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) May 8, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) May 8, 2014, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

JUDGE'S COPY:

Honorable Erithe A. Smith
United States Bankruptcy Judge
411 West Fourth Street Suite 5040
Santa Ana, CA 92701-4593

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

May 8, 2014

Date

JUDY CONTI

Printed Name

/s/ JUDY CONTI

Signature

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):**

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

David R. Weinstein on behalf of Plaintiff Sandra Elisabeth Johnson
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